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BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1990

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1990

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Boston, Massachusetts
August 14, 1991

Coopers & Lybrand

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Boston Redevelopment Authority:

We have audited the financial statements, as listed in the accompanying table of contents, of the Boston Redevelopment Authority as of September 30, 1990 and for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of September 30, 1990 and the results of its operations and changes in fund balances and the changes in assets and liabilities - agency funds for the year then ended in conformity with generally accepted accounting principles.

Boston, Massachusetts
August 16, 1991

Coopers & Lybrand

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1990

	General Fund	Agency Funds	Project Funds	Account Groups		Interfund Eliminations	Combined Total (Memorandum Only)
				General Fixed Assets	General Long-Term Obligations		
ASSETS							
Investments (Note C)	\$5,174,952	\$ 3,873,991	\$ 3,560,224				\$12,609,167
Restricted cash (Notes K and O)			2,118,151				2,118,151
Accounts receivable (net of allowance for bad debts of \$248,451)	45,223	74,438	632,885				752,546
Billed and unbilled amounts due from federal, state and city (Notes P and K)	681	1,400,052	3,072,880				4,473,613
Accounts receivable disposition of development sites			7,833,290				7,833,290
Due from other funds	2,008,176	339,763	1,895,045				9,294,658
Notes receivable/Housing Developments (Note G)		6,980,706	2,313,952				24,142,260
Notes receivable/UDAG and HDAG (Note G)		24,142,260					14,322,775
Property held for development (Note H)			14,322,775				704,883
Fixed assets, net (Note I)				\$704,883			1,392,930
Other assets	325,797	974,811	92,322				
Amounts to be provided for retirement of general long-term obligations					\$2,087,763		2,087,763
Total assets	\$7,554,829	\$37,786,021	\$35,841,524	\$704,883	\$2,087,763	\$(4,242,984)	\$79,732,036
LIABILITIES, OTHER CREDIT AND FUND BALANCES							
Long-term debt (Note H)			9,900,000				9,900,000
Accounts payable	3,745,274		230,780				3,976,054
Advances on contracts			837,294				837,294
Due to other funds		2,795,016	1,447,968				342,124
Retainage		12,929	326,582				353,341
Deposits (Note D)	2,613		112,639				394,531
Obligations under capitalized leases (Note J)	240,702						1,693,232
Vacation and sick leave (Note L)							193,632
Accrued liabilities							527,700
Other (Note K)	193,632						7,813,238
Deferred revenue (Note N)		9,062,447	7,813,238				9,265,018
Due to designated entities		25,915,629	202,571				25,915,629
Due to UDAG recipients							
Total liabilities	4,182,221	37,786,021	21,398,772	-	2,087,763	(4,242,984)	61,211,793
Commitments and contingencies (Notes J and K)							
Other credit:							
Investment in general fixed assets				704,883			704,883
Fund balances:							
Designated for vacation and sick leave (Note L)	1,693,232						1,693,232
Designated for obligations under capitalized leases (Note J)	394,531						394,531
Designated for Neighborhood Housing Fund (Note O)			248,016				248,016
Designated for Escrow Linkage Fund (Notes K and O)			2,118,151				2,118,151
Designated for projects			12,076,585				12,076,585
Undesignated	1,284,845						1,284,845
Total other credit and fund balances	3,372,608	-	14,442,752	704,883	-	-	18,520,243
Total liabilities, other credit and fund balances	\$7,554,829	\$37,786,021	\$35,841,524	\$704,883	\$2,087,763	\$(4,242,984)	\$79,732,036

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER CHARGES
AND CHANGES IN FUND BALANCES

for the year ended September 30, 1990

	General Fund	Project Fund	Combined Total (Memorandum Only)
Revenues:			
Federal, state and city funding grants		\$ 2,001,929	\$ 2,001,929
Proceeds from disposition of development sites (Note D)		12,178,753	12,178,753
Rental income (Note F)		2,693,437	2,693,437
Interest income	\$ 55,950	1,336,005	1,391,955
Other	29,199	105,674	134,873
Total revenues	85,149	18,315,798	18,400,947
Expenditures:			
Personnel		10,762,432	10,762,432
Fringe		3,336,387	3,336,387
Supplies and services	26,025	2,173,090	2,199,115
Contractual services	38,200	2,030,855	2,069,055
Capital outlays	2,000	1,573,084	1,575,084
Occupancy costs		1,305,638	1,305,638
Legal settlements (Note O)		429,011	429,011
Total expenditures	66,225	21,610,497	21,676,722
Revenue over/(under) expenditures before other charges	18,924	(3,294,699)	(3,275,775)
Other charges (Note O):			
Neighborhood Housing Fund Contributions		(1,561,984)	(1,561,984)
City of Boston - Urban Renewal Project Assistance		(1,000,000)	(1,000,000)
Mayor's Office of Neighborhood Services		(300,000)	(300,000)
Mayor's Office of Jobs & Community Services		(100,000)	(100,000)
Total other charges	-	(2,961,984)	(2,961,984)
Total revenue over/(under) expenditures and other charges	18,924	(6,256,683)	(6,237,759)
Fund balances, September 30, 1989	3,353,684	20,699,435	24,053,119
Fund balances, September 30, 1990	\$3,372,608	\$14,442,752	\$17,815,360

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS

for the year ended September 30, 1990

	Balance, September 30, 1989	Additions	Deductions	Balance, September 30, 1990
ASSETS				
Investments	\$ 4,290,841			\$ 3,873,991
Accounts receivable	103,426	\$24,959,594	\$25,376,444	74,438
Billed amounts due from federal, state and city	566,250	4,543,365	3,709,615	1,400,000
Unbilled amounts due from federal, state and city	96,313	1,662	97,923	52
Notes receivable	35,003,496	12,033,738	15,914,268	31,122,966
Other assets	1,081,061		106,250	974,811
Due from other funds	366,747		26,984	339,763
Total assets	<u>\$41,508,134</u>	<u>\$41,988,343</u>	<u>\$45,710,456</u>	<u>\$37,786,021</u>
LIABILITIES				
Due to other funds	1,316,758	11,107,703	9,629,445	2,795,016
Retainage	106,468	48,414	141,953	12,929
Due to designated entities	40,084,908	15,777,900	20,884,732	34,978,076
Total liabilities	<u>\$41,508,134</u>	<u>\$26,934,017</u>	<u>\$30,656,130</u>	<u>\$37,786,021</u>

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

A. The Authority:

The Boston Redevelopment Authority (the "Authority") was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts to administer community development projects and to function as the planning agency of the City of Boston (the "City"). The Authority is governed by a five-member Board of Directors appointed for terms of five years.

B. Summary of Significant Accounting Policies:

A summary of significant accounting policies employed in preparation of the financial statements follows.

Fund Accounting

Financial activities are recorded in the funds and account groups described below. The financial operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures. As the Authority is not legally required to adopt budgets for the General and Project funds, no comparison of budget versus actual results of operations have been presented in these combined financial statements.

General Fund

Transactions accounted for in the General Fund relate to revenues and expenditures not specifically restricted to development projects and to certain centralized cash management functions.

Agency Funds

Resources received and held by the Authority as an agent for other entities are accounted for in Agency Funds. These resources include Urban Development Action Grants (UDAGs) and funds for other housing initiatives which require the loan recipient to execute promissory notes to the Authority. Repayments of UDAG loans which are received by the Authority are periodically remitted to the City or other designated entities. Disposition proceeds are initially accounted for in the Project Funds and are transferred to the Agency Funds when the account payable, if any, to the designated entity is determined. Also included in the Agency Fund is activity related to the Neighborhood Housing Fund (see Note O).

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Project Funds

Transactions accounted for in the Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources including federal and state grants, City capital funds, disposition proceeds and rental income. The Authority separately accounts for the revenues and expenditures under each community development project and funding source. For financial reporting purposes, projects have been combined.

Account Groups

The General Fixed Assets and General Long-Term Obligations Account Groups are used to establish control and accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Basis of Accounting

The accounts of the Authority are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations during the year. Interest income, rental income and sale of development sites are recorded as revenues when earned. Revenues from federal and state reimbursement type grants and City capital borrowings are recorded at the earlier of receipt or when the related eligible expenditures are incurred.

Expenditures are recognized when obligations are incurred from receipt of goods and services.

Fixed Assets

Expenditures for equipment, and furniture and fixtures are recorded as supplies and services expenditures in the Project Funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of such assets is capitalized in the General Fixed Assets Account Group.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Capital leases have been recorded in the General Fixed Assets and General Long-Term Obligations Account Groups at the present value of the minimum lease payments. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal is reported as a reduction of the capitalized lease obligation in the General Long-Term Obligations Account Group.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the fixed assets which are as follows:

Vehicles and maintenance equipment	3 years
Furniture and fixtures	5 years
Data processing equipment	5 years

Depreciation and amortization is reported as a reduction in the General Fixed Assets Account Group.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property

The Authority owns properties within the City which were acquired in prior years. These properties were acquired in connection with its redevelopment and housing initiative activities and recorded as capital outlays expenditures in the Project Funds in the year acquired and therefore are not included in the General Fixed Asset Account Group.

Vacation and Sick Leave

Employees earn vacation and sick leave as they provide services. They may accumulate (subject to certain limitations) unused vacation and sick leave earned. Upon retirement, termination or death, employees may be compensated for accumulated unused vacation up to twice their current allowable annual vacation leave. Sick leave accumulates at the rate of 1 1/4 days for each calendar month with no maximum limit. Upon termination, employees with fifteen or more years of service may receive in cash a portion of their accrued but unused sick leave in accordance with an established formula.

The liability related to unused vacation and sick time is recorded in the General Long-Term Obligations Account Group (GLTOAG). The amount recorded in the GLTOAG is the unused days earned at the current rate of pay.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Pension

The Authority contributes to the contributory State-Boston Retirement System, a multiple-employer public employee retirement system administered by the City. Pension information is provided in the financial statements of the City which includes the Authority.

The Authority records retirement costs on a pay-as-you-go basis which, in accordance with the Laws of The Commonwealth of Massachusetts, is also the method used by the Authority to fund retirement costs.

Unbilled Accounts Receivable

Unbilled accounts receivable arise from certain Authority activities. Unbilled receivables are recorded for expenses incurred which are reimbursable under specific grants and not yet billed. Retainage withheld from payments on construction and engineering contracts are not reimbursable by grant funding sources until paid and, therefore, these amounts are recorded as unbilled receivables. Liabilities for land taking are recorded when they become estimable and, if reimbursable, unbilled receivables are recorded. Unbilled accounts receivables may not be billed and collected within one year.

Combined Total - Memorandum Only

Combined totals on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

C. Investments:

Included in investments are: deposits placed with the Authority by developers (see Note D), funds required to be held in investments under contractual agreements, and other funds received in connection with projects.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The Authority follows the policy of investing in securities of the U.S. Government and its agencies as well as domestic corporate debt instruments which are rated "A" or better by Standard & Poor's or Moody's corporate bond rating services. All investments are held in the name of the Authority.

All investments are carried at cost. Premiums and discounts on debt securities are amortized to maturity. The Authority includes accrued interest receivable in investments. The aggregate market value of investments held at September 30, 1990 was \$14,721,333.

At September 30, 1990, \$9,828,358 was covered by federal and state depository insurance or by collateral held by the Authority's agent in the Authority's name and \$4,898,960 was uninsured and uncollateralized and represents money in an interest-bearing working capital account.

Investments, including restricted cash (see Note K), as of September 30, 1990 consist of:

<u>Type</u>	<u>Amortized Cost</u>	<u>Interest Rate</u>	<u>Maturity</u>
Daily Money Market	\$ 7,195,898	5.5% to 7.6%	
Certificates of Deposit	2,558,487	7.75% to 8.0%	10/5/90 to 10/29/90
U.S. Government Treasury Bills	407,369	7.27% to 7.4%	10/25/90 to 11/29/90
Corporate Debt Securities	508,290	8.9%	11/1/00
U.S. Government Agency	<u>3,982,706</u>	8.3% to 9.25%	12/26/90 to 4/27/92
Investments at cost	14,652,750		
Accrued interest receivable	<u>74,568</u>		
	<u>\$14,727,318</u>		

D. Deposits:

A portion of the investments held in the General Fund at September 30, 1990 relates to development deposits placed with the Authority in connection with specific or development projects. Such deposits are generally subject to escrow agreements and, accordingly, have been credited to the deposit account on the balance sheet. As a result of a detailed review of deposit agreements the Authority has recognized \$1,522,482 of disposition proceeds revenue in 1990. These deposits either expired for time or were recognized as fees.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

E. Related Party Transactions:

City of Boston

During the year ended September 30, 1990, the City provided financial resources to the Authority, as follows:

(in thousands)

Urban Development Action Grants (UDAG)	\$2,377
City capital appropriations	1,029
Housing Development Grants (HODAG)	704
Community Development Action Grants (CDAG)	335
Other federal, state and city grants	<u>1,671</u>
	<u>\$6,116</u>

The City also provides office space to the Authority at no charge.

F. Billed and Unbilled Amounts Due From Federal, State and City:

Billed and unbilled amounts due from federal, state and city are project expenditures which are reimbursable under federal, state and city funding sources. A summary of billed and unbilled amounts due from federal, state and city at September 30, 1990 is as follows:

	<u>General</u>	<u>Agency</u>	<u>Project</u>
Billed amounts due from federal, state and city	\$681	\$1,400,000	\$1,322,515
Unbilled amounts due from federal, state and city		52	1,426,365
Unbilled court award reimbursements			<u>324,000</u>
	<u>\$681</u>	<u>\$1,400,052</u>	<u>\$3,072,880</u>

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Project Funds

Included in billed amounts due from federal, state and city is a net receivable of \$1,152,511 from the Boston Water and Sewer Commission (BWSC), an agency of the City of Boston. This receivable represents the net amount due to the Authority for work performed primarily from 1977 through 1983 for BWSC in connection with grants from the Environmental Protection Agency (EPA) and the Massachusetts Department of Water Pollution Control (MDWPC). The Authority had provided an allowance of \$900,000 for this receivable which was recorded as an operating expense in prior years. In June 1991, the Authority was paid \$1,152,511 by the BWSC which represented their share of the final payment of EPA funds. The Authority was able to recapture \$470,000 of the \$900,000 previously expensed and has reflected it as a reduction of operating expenses in the project fund for the year ended September 30, 1990.

In connection with various capital projects for the City, the Authority incurred expenditures in the amount of \$588,756 which are reimbursable under previously approved loan orders with the City's Capital Planning Office (CPO). The Authority plans to bill and collect this amount upon notification from the CPO that such amounts have been properly encumbered. These amounts are included in the unbilled amounts as of September 30, 1990.

In addition, the Authority has recorded a liability associated with eminent domain cases resulting from the acquisition of properties (see Note K). Certain of these cases are reimbursable from the City. The Authority has recorded as unbilled receivables due from the City \$324,000 as of September 30, 1990, which are associated with these eminent domain cases and reimbursable under loan orders and other agreements with the City.

The Authority determined, based on a current analysis by legal counsel, that the payments received from certain land leases in the amount of \$1,001,294 for the periods 1985 through 1990 previously recorded in the Urban Renewal Project R-29 account as amounts due to designated entity, could be used by the Authority as project income in carrying out the Authority's responsibilities in urban renewal, planning and community development and housing programs in the City. Therefore, such amount has been included in rental income for the year ended September 30, 1990.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

G. Notes Receivable:

Notes receivable in the Agency Fund are comprised of funds advanced to developers under various UDAG and housing initiative agreements. The liabilities to the funding sources are reflected in due to designated entities. Notes receivable in the Project Funds are comprised of funds due from nonprofit development projects.

H. Property Held for Development:

On October 9, 1987, the Authority purchased the "Custom House Tower" from the federal government for \$11,000,000. As part of the purchase agreement, the federal government provided a loan to the Authority in the amount of \$9,900,000 at an annual interest rate of 11%. The terms of the loan require payment of interest only in quarterly installments of \$272,250 for the period January 1988 through October 1992 and quarterly payments of principal and interest of \$650,150 for the period January 1993 to October 1997. The Authority has capitalized interest incurred on the project of \$3,239,775 including \$1,089,000 in 1990.

The Authority is currently working with the designated developer to obtain financing arrangements and expects to finalize these arrangements by December 1991. The Authority along with the designated developer has devoted significant effort on various predevelopment activities such as obtaining necessary project permits and approvals from various federal, state and city agencies.

The Authority expects to recover the full amount capitalized on the project of approximately \$14,300,000 through the developer's financing arrangements.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

I. Fixed Assets:

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance, October 1, <u>1989</u>	Current Year <u>Activity</u>	Balances, September 30, <u>1990</u>
Furniture and fixtures	\$1,458,408	\$ 1,874	\$1,460,282
Vehicles and maintenance equipment	61,999	-	61,999
Data processing equipment	<u>580,415</u>	<u>3,964</u>	<u>584,379</u>
	2,100,822	5,838	2,106,660
Less accumulated depreciation and amortization	<u>(1,026,991)</u>	<u>(374,786)</u>	<u>(1,401,777)</u>
Fixed assets, net	<u>\$1,073,831</u>	<u>\$(368,948)</u>	<u>\$ 704,883</u>

Equipment leased under capital leases recorded in the General Fixed Assets Account Group as of September 30, 1990 consist of (see Note J):

Furniture, fixtures and equipment	\$934,660
Less accumulated amortization	<u>(551,108)</u>
Leased fixed assets, net of amortization	<u>\$383,552</u>

J. Commitments:

At September 30, 1990, the Authority was committed under contracts for various funded projects in the aggregate amount of approximately \$7,000,000.

The Authority leases office space located in the Charlestown Navy Yard through 1992. These operating lease agreements contain renewal options and provisions to pay operating expenses over base amounts. The future minimum payments under these leases as of September 30, 1990 are \$1,279,000 for fiscal year ending 1991 and \$675,000 for fiscal year 1992.

The Authority has entered into various equipment lease agreements which qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments (see Note I).

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments recorded in the General Long-Term Obligations Account Group at September 30, 1990:

Fiscal year ending September 30,

1991	\$173,257
1992	159,459
1993	79,507
1994	<u>39,231</u>
Total lease payments	451,454
Less amount representing interest	<u>56,923</u>
Present value of future minimum lease payments	<u>\$394,531</u>

K. Contingencies:

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by Contractors, Homeowners, Landlords and Tenants Liability insurance policies. In addition, the Authority is involved in land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain.

Based on information supplied by the Authority's counsel, the accompanying financial statements include estimates of probable future liabilities of \$527,700 relating to the aforementioned lawsuits, and unbilled accounts receivable have been recorded for the portion of such liabilities which are anticipated to be reimbursed. (See Note F.)

The Authority receives various grants from federal, state, city and other agencies which must be expended in compliance with the terms and conditions of the grants. These expenditures are subject to audit by the grantor agency and any disallowed expenditures could become either a reduction of future grants or a liability.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

In December 1989, the Authority entered into agreements with two insurance companies whereby the insurance companies advanced total linkage payments of certain developers to the City for housing creation. Under the agreements, the Authority established new restrictive bank accounts totaling \$2,118,151, which can be used by the insurance companies in case of default or challenge by the developers (see Note O).

L. Changes in Vacation, Sick Leave and Retirement Costs:

Changes in the vacation, sick leave and retirement costs reflected in the General Long-Term Obligations Account Group for the fiscal year ended September 30, 1990 are as follows:

	September 30, 1989	Additions	Reductions	September 30, 1990
Vacation and sick leave	\$1,668,857	\$2,089,688	\$2,065,313	\$1,693,232

M. Retirement Costs:

All full-time Authority employees are eligible to participate in the State-Boston Retirement System (the "System"). The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service.

Employee contributions are based upon a percentage of the employee's base pay. The Authority is annually assessed its proportionate share of the retirement costs of the System by the City. The aggregate entry age normal cost method was used to compute the minimum required contribution by the Authority. During the year ended September 30, 1990, the Authority contributed and recorded as an expenditure in the Project Fund \$1,875,213. Also, the Authority employees contributed \$617,433 in fiscal 1990. The Authority's covered payroll for employees who participate in the System as of the June 30, 1990 actuarial valuation date was \$10,245,514. Total payroll for the Authority employees was \$10,777,127 for the 12 months ended June 30, 1990.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The Authority's pension benefit obligation was computed as part of the City's actuarial valuation performed as of June 30, 1990. The total pension obligation and net assets available for benefits applicable to the Authority's employees were \$16,971,000 and \$9,267,000 at June 30, 1990, respectively. The Authority's actuarial pension expense consisted of \$316,000 employer normal cost and \$715,000 amortization of the unfunded actuarial liability. At June 30, 1990, the unfunded pension benefit obligation was \$6,045,000, determined as follows:

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee benefit systems and employers.

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$ 5,623,000
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Current employees:

Employee financed	5,236,000
Employer financed - vested	1,258,000
Employer financed - nonvested	3,195,000

COLA benefits reimbursable by The Commonwealth of Massachusetts	<u>1,659,000</u>
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Total pension benefit obligation	16,971,000
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Net assets available for benefits	<u>9,267,000</u>
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Unfunded pension benefit obligation	7,704,000
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Effect of COLA	<u>1,659,000</u>
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Unfunded pension benefit obligation, net of COLA	<u><u>\$ 6,045,000</u></u>
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BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 10% a year compounded annually, (2) projected salary increases of 6% a year compounded annually, attributed to inflation, and seniority/merit, (3) a cost of living increase of 3% annually, and (4) removal of the \$30,000 compensation cap.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Plan Year*	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation, Net of COLA	(3) Percentage Funded (1) + (2)	(4) Unfunded Pension Benefit Obligation (2) - (2)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4) + (5)
1990	\$9,267,000	\$15,312,000	61%	\$6,045,000	\$10,245,514	59%
1989	8,374,000	14,373,000	58%	5,999,000	10,483,921	57%
1988	9,739,000	16,529,699	59%	6,790,699	10,357,389	66%

*Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due prior to 1988 is not available.

N. Deferred Revenue

Revenues related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has realized the revenue. In 1990 the Authority entered into several land disposition transactions which resulted in an additional \$4,306,500 of deferred revenue. Total deferred revenue as of September 30, 1990 is \$7,813,238 which is expected to be realized in subsequent years.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

O. Designation of Project Fund Balance:

During fiscal 1989 and 1990, the Authority designated a portion of the Authority's project fund balance to specific program initiatives. These designated accounts have been established to indicate expected plans or commitments for these resources in a future period. Changes in the designated project funds for the fiscal year ended September 30, 1990 are as follows:

<u>Program</u>	<u>September 30, 1989</u>	<u>1990 Designation</u>	<u>1990 Disbursements</u>	<u>September 30, 1990</u>
Neighborhood Housing Fund	\$1,000,000	\$ 810,000	\$1,561,984	\$ 248,016
Escrow Linkage Fund	2,118,151	-	-	2,118,151
Urban Renewal Project Assistance	1,000,000	-	1,000,000	-
Jobs, Community & Neighborhood	-	400,000	400,000	-
Court Awards, Litigation & Relocations	-	429,011	429,011	-
Total	<u>\$4,118,151</u>	<u>\$1,639,011</u>	<u>\$3,390,995</u>	<u>\$2,366,167</u>

Neighborhood Housing Fund Designation

The Neighborhood Housing Fund was established to provide small grants, bridge loans, and technical assistance to Boston's community-based, nonprofit development entities and to other neighborhood based development entities for the production of affordable housing. The fund was designated as the recipient of voluntary contributions made to the Authority for the purpose of promoting neighborhood housing, and of such other funds as the Authority may receive or may allocate for this purpose. As of September 30, 1990, the Board has designated an aggregate amount of \$1,810,000 of the Authority's fund balance to the Neighborhood Housing Fund. During fiscal 1990, the Authority paid \$1,561,984 as their contribution to the Neighborhood Housing Fund.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Escrow Linkage Fund Designation

On July 29, 1989, the Board authorized a designation of \$2,118,151 of fund balance to escrow linkage agreements with Metropolitan Life Insurance Company and the Prudential Insurance Company of America. These agreements provide for the advancing of \$13,348,000 of future Development Impact Projects (DIP) payments to the City's "Housing Trust" for housing creation. This \$13,348,000 represents the present value of future DIP payments. These agreements contain the following:

1. The Metropolitan Life Insurance Company loan is based on 10 DIP agreements, valued at \$13,739,940 creating 525 housing units of which 372 or 71% will be affordable as defined by the agreements. The business terms are as follows:

An escrow account in the amount of \$1,307,735 will be established by the Authority, representing one year of debt service to guarantee against possible default of payments;

An escrow account in the amount of \$50,000 will be reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

2. The Prudential Insurance Company of America will loan cash against two DIP agreements valued at \$5,525,000. These will support two Housing Creation proposals producing 504 units of which 450 or 89% will be affordable as defined by the agreements. The business terms are as follows:

An escrow account in the amount of \$460,416 will be established by the Authority, representing one year of debt service to guarantee against possible default of payments;

An escrow account in the amount of \$50,000 will be specifically reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

A \$250,000 litigation reserve escrow account will be established to demonstrate the Authority's ability to pursue legal action in the event of a constitutional or other challenge to the Linkage program itself. The escrow account would cover both insurance companies' agreements.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Urban Renewal Project Assistance

On September 28, 1989, the Board of Directors authorized the Authority to designate \$1,000,000 of fund balance for the purpose of contracting with the City of Boston Public Works Department for work in designated urban renewal project areas. This amount was paid in fiscal year 1990.

Jobs, Community and Neighborhood Services

The Authority's Board of Directors authorized the designation of \$300,000 of fund balance for the Mayor's Office of Neighborhood Services and \$100,000 for the Mayor's Office of Jobs and Community Services. The designation for the neighborhood services was to ensure maximum community review of development projects pending before the Authority which impact the community. The jobs and community services designation was to ensure implementation and monitor compliance with the Mayor's Executive Order of the Boston Resident's Job Policy. These amounts were paid in fiscal year 1990.

Court Awards, Litigation and Relocations

The Authority's Board of Directors authorized the expenditure of and designation of \$429,011 of fund balance for judgments against the BRA for 1981 sewer flooding damages (\$311,859) and for relocation payments for redevelopment (\$117,152).

P. Deferred Compensation:

The Commonwealth of Massachusetts offers the Authority's employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of The Commonwealth of Massachusetts (without being restricted to the provisions of benefits under the plan), subject only to the claims of The Commonwealth of Massachusetts' general creditors. Participants' rights under the plan are equal to those of general creditors of The Commonwealth of Massachusetts in an amount equal to the fair market value of the deferred account for each participant.